

Instructions for Natural Gas Supplier (NG Supplier) Use of Allocated Allowance Value Reporting Form

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Overview

The California Air Resources Board (CARB) requires natural gas suppliers (NG suppliers) to annually submit a report on their use of allocated allowance value in accordance with the Cap-and-Trade Regulation (Regulation). CARB provides a workbook to facilitate submitting this annual report. These instructions provide an overview of the reporting workbook and instructions for completing and submitting the form. The workbook and additional guidance can be found in the allowance allocation section of the [Cap-and-Trade Program Guidance and Forms](#) webpage.

The workbook contains the following tabs:

- The “NGS Use of Allowance Value Form” (Form) tab is where NG suppliers input data and information to report on the amounts and uses of allocated allowance value.
- The “Narrative” tabs (Narrative A-F) are where NG suppliers describe the nature and purpose of the uses listed on the Form tab. A separate Narrative tab should be completed for each distinct use of allocated allowance value.
- The “Revisions to Prior Reporting” tab which NG suppliers may use to revise prior annual reports.

The workbook allows users to:

- report proceeds received in the previous calendar year
- report proceeds spent in the calendar previous year
- calculate the amount of unspent auction proceeds remaining after the previous calendar year
- provide CARB with the required information on how allocated allowance value was spent in conformance with the Regulation
- report estimated greenhouse gas (GHG) emissions reductions associated with the uses of auction proceeds

Full text of the [Regulation](#) is available on the Cap-and-Trade Program website. The use of the workbook to fulfill the reporting requirements of the Regulation is optional. The instructions and workbook do not have the force of law, do not establish new requirements, and in no way supplant, replace, or amend any of the legal requirements of the Regulation.

Background

Each NG supplier may complete and submit to CARB the Form and Narrative tab(s) in the Excel workbook and the separate GHG Benefits Estimation Tool(s) (as applicable) in order to report its use of proceeds from the auction of allocated allowances as required by the Regulation.

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Section 95893(e) of the Regulation requires each NG supplier to report to CARB by June 30 of each calendar year on the use of allocated allowance value during the prior calendar year (the Data Year). Each NG supplier must report the value of auction proceeds received during the Data Year from the sale of allocated allowances and the amount of total auction proceeds spent during the Data Year. Each NG supplier also must describe how its use of auction proceeds from allocated allowance value meets the requirements of section 95893(d) of the Regulation and the requirements of AB 32 (California Health and Safety Code sections 38500 et seq.).

In 2021, NG suppliers can use the reporting workbook and GHG Benefits Estimation Tool(s) to report on the disposition of all allocated allowance value in 2020.

Detailed Instructions

Step-by-step instructions to complete each section of the “NGS Use of Allowance Value Form” tab (Form) and “Narrative” tabs (Narrative) are provided in this section. Green cells accept user input, and pale orange cells either automatically calculate values based on user input or require no entry. If a box on the form does not apply to the NG supplier’s use of auction proceeds, please leave the box blank.

Questions may be directed to ngs-allocation@arb.ca.gov.

- In box 1, enter the NG supplier legal entity name used in the Compliance Instrument Tracking System Service (CITSS) for the Cap-and-Trade Program.
- In box 2, select the NG supplier type from the drop-down menu. Options are investor owned utility (IOU) or publicly owned utility (POU).
- In box 3, enter the NG supplier's CARB ID number(s). The CARB ID is a unique number assigned by CARB under the Mandatory Reporting Regulation.
- Box 4 specifies that the Form is for the 2020 Data Year. No user entry required.
- In box 5, enter the total number of allowances that were allocated to the NG supplier for the Data Year (e.g., vintage 2020 allowances are allocated for Data Year 2020). A note will appear next to box 5 reminding the user that “Boxes 6 and 7 must sum to box 5.”
- In box 6, enter the total number of allocated allowances that were consigned to auction in the Data Year.
- In box 7, enter the total of number allocated allowances deposited into the NG supplier’s compliance account during the Data Year. Exclude any allowances purchased by the NG supplier with auction proceeds; this use of auction proceeds should be reported in boxes 13a-13f. Please ensure that the sum of the amounts in boxes 6 and 7 equals the amount in box 5 and that the note adjacent to box 5 no longer remains.
- In box 8, enter the total amount of auction proceeds received during the Data Year from the sale of allocated allowances.
- Box 9 will calculate the unweighted average value of allocated allowances for the Data Year based on the number of allowances consigned to auction in box 6 and the auction proceeds in box 8. No user entry is required.

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- Box 10 will calculate the total monetary value of allocated allowances deposited in compliance accounts based on the number of allowances in box 7 and the unweighted average allowance value in box 9. No user entry is required.
- In box 11, enter the total amount of auction proceeds from each prior Data Year (2015 through 2019) that remained unspent at the beginning of the Data Year (i.e., the unspent balance of auction proceeds as of January 1, 2020). This information is used to track the deadline for using allocated allowance value under section 95893(d)(8) of the Regulation and must agree with reporting to CARB for prior Data Years. For this section, CARB expects NG suppliers to use first-in, first-out accounting methods.
 - For example: If an NG Supplier had \$5,000 in auction proceeds remaining from 2018 and received \$6,000 in auction proceeds in 2019,¹ and spent \$10,000 during the 2019 Data Year, then for reporting on the 2020 Data Year, an unspent auction proceeds balance of \$1,000 would be reported in box 11 for year 2019 and zero would be reported in box 11 for year 2018.
- Box 12 sums the values in boxes 11 and is the total amount of auction proceeds from prior data years that remained unspent as of January 1, 2020. No user entry is required. The total in box 12 should equal the "Auction Proceeds Available for Future Years" reported last year to CARB for the 2019 Data Year (in cell C68 of the as downloaded reporting workbook for the 2019 Data Year). If box 12 does not equal the "Auction Proceeds Available for Future Years" reported to CARB last year, then either (1) the values input in box 11 must be corrected, or (2) prior year reporting to CARB should be amended to ensure all reporting to CARB can be reconciled.²

Reporting on CPUC-Directed Programs

- The Legislature and the CPUC have directed IOUs to expend a portion of NG supplier auction proceeds on specific building decarbonization programs and biomethane interconnection incentive programs. These expenditures are subject to the same CARB reporting and other regulatory requirements as other uses of auction proceeds. CARB expects IOUs to work with program administrators and CPUC as necessary to acquire the information needed to report on these uses of auction proceeds to CARB. Attachments may be included in submissions to CARB to supplement or substitute for sections of this form (e.g., the Narrative section), as long as all required information is provided to CARB.

Instructions for Boxes 13a-13g (Uses of Proceeds)

For each use of auction proceeds, complete boxes 13a through 13g to report the amount spent during the Data Year. If additional rows are needed, please insert them

¹ Including any interest accrued in 2018 and 2019.

² If corrections or amendments to prior Data Year reporting are needed, see the Revisions to Prior Reporting section of these instructions.

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following the existing format. Please adjust the row heights, if necessary, so that all text entered into the form is visible when the form is printed or converted to PDF format.

One row should be used for each use. For example, total expenditures on the BUILD building decarbonization program should be reported in one row and total expenditures on residential non-volumetric returns should be reported on a separate row.

- In box 13a, no user input is required. This is a unique project identifier to connect the specific use reported in each row (1) to the itemized administrative and outreach reporting in box 14a (see step 14a), (2) to the description of the nature and purpose of the use in the Narrative tabs, and (3) to the estimate of GHG reductions calculated in the GHG Benefits Estimation Tool(s).
- In box 13b, select the appropriate category for the use of auction proceeds from the drop-down menu.
- In box 13c, enter the **total amount** of auction proceeds **spent** during the Data Year on the specific use, *including any administrative or outreach costs* associated with the use, as a positive number.
 - To facilitate reconciling all expenditures, CARB requests NG suppliers report total amounts derived from allowance value that are returned to ratepayers or spent on programs in box 13c, including amounts derived from interest on proceeds (box 15). The reported amount returned to ratepayers in box 13c should **exclude** any gross-up for franchise fees and uncollectibles (FF&U).
- In box 13d, *optionally* report the amount of auction proceeds that were assigned, encumbered, or otherwise reserved for spending on the specific use, but that were not yet expended for the specific use by the end of the Data Year. CARB requests that IOUs use box 13d to report proceeds that have been designated for CPUC-approved building decarbonization and interconnection incentive programs but have not yet been expended.
- In box 13e, briefly describe the use. This should be a summary description that clearly identifies the use. More detailed descriptions should be included in the Narrative tab(s).
- In box 13f, enter the estimated *lifetime* GHG emissions reductions attributable to the use measured in metric tons of carbon dioxide equivalent (MTCO₂e). All estimated GHG reductions reported in box 13f must follow the requirements specified by section 95893(e)(4)(b) of the Regulation. These estimates may be calculated by using one of the GHG Benefits Estimation Tools. If using the [GHG Benefits Estimation Tools](#), the GHG reduction estimates can be found in pink output cells of those tools, labelled "Estimated Lifetime GHG Emission Reductions Attributable to Proceeds Use in Data Year (MTCO₂e)." Instructions for estimating GHG benefits can be found in the [GHG Benefits Estimation Tools Instructions](#).
- **NEW** In box 13g, if auctions proceeds were previously reported for the same project, list the applicable data years that use of the auction proceeds were reported to CARB for the project.

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- For example, for Data Year 2020 reporting, if an NG supplier used auction proceeds to fund a LED light conversion program from 2018- 2020, the years 2018 and 2019 should be listed in box 13g.
- Box 13h will calculate the total proceeds spent in the Data Year. No user entry is required.
- Box 13i will calculate the total proceeds that were encumbered during the Data Year, but not yet expended by the end of the Data Year. No user entry is required.

Instructions for Box 13j (Narrative Descriptions)

- In box 13j of the appropriate Narrative tab, describe the nature and purpose of the use of proceeds, including how the use benefits ratepayers and achieves GHG emissions reductions. Several example narrative descriptions are included in the “Example Narrative Descriptions” section of this document.
- If proceeds were put to more than one use during the Data Year, use a separate Narrative tab to describe each use with a distinct Project ID in box 13a. For example, provide a narrative description of the use of proceeds with Project ID “B” in box 13a in the Narrative B tab.
- Additional materials or references may be submitted to CARB to supplement the narrative description. Please attach or cite with a link any external material that is referenced and specify relevant page numbers.
- The narrative description must include:
 - A description of the general program design, including the activities conducted. For example, describe the process of helping ratepayers install more efficient industrial equipment or replacing NG supplier-owned vehicles with more fuel-efficient vehicles.
 - A description of the number and types of ratepayers who receive benefits (e.g., all customers, including sub-metered customers, low-income residential customers, or customers using electric vehicles) and how the benefits are received (e.g., how residential climate dividends are calculated and distributed or how program participants are selected).
 - For uses other than non-volumetric rebates, a description of how the use reduces GHG emissions.
 - For IOUs, a description of how the use provides equal treatment of delivery-only customers and customers who purchase natural gas from the NG supplier, as required under section 95893(d)(6).
 - Optionally, describe any AB 32 co-benefits associated with the use. Additional goals of AB 32 are spelled out in section 38501(h) of AB 32, which states the legislative intent that GHG emissions reductions measures should be designed “in a manner that minimizes costs and maximizes benefits for California’s economy, improves and modernizes California’s energy infrastructure and maintains electric system reliability, maximizes additional environmental and economic co-benefits for California, and complements the state’s efforts to improve air quality.”

Instructions for Boxes 14a-14f (Administrative, Education, and Outreach Expenditure Itemization)

Itemize all administrative, education, and outreach expenditures of auction proceeds in the Data Year. These expenditures should be included in the total amounts reported in boxes 13c for each use and itemized in boxes 14a-14f. Expenditures should be itemized by separately listing *each activity or task* using a separate row. For example, staff labor to develop outreach materials for an energy efficiency rebate project should be listed in a different row than staff labor to distribute energy efficiency rebates. Printing outreach materials would be a material administrative cost listed in another row.

Follow steps 14a through 14f to itemize administrative, education, and outreach expenditures of auction proceeds during the Data Year. If additional rows are needed, please insert them following the existing format. Please adjust the row heights, if necessary, so that all text entered into the form is visible when the form is printed or converted to PDF format. For uses with many expenditures to itemize, documentation can be provided in lieu of the itemization in boxes 14. NG suppliers taking this approach should ensure that all expenditures itemized in the documentation are included in aggregate form in boxes 14a-f. This can be done by including a row in boxes 14 that summarizes expenditures by category (e.g., \$150,000 in program administrator costs for BUILD) and referencing the specific documentation that includes the required itemization for the expenditures. Note that the additional documentation must include all information listed in boxes 14a-f for each itemized expenditure as required by the Cap-and-Trade Regulation.

- In box 14a, enter the Project ID from box 13a for the use that was supported by the administrative, education, or outreach expenditure.
- In box 14b, enter the amount spent on the specific itemized use.
- In box 14c, use the drop-down menu to select the category of use: "Administrative Costs," "Education Costs," or "Outreach Costs."
- In box 14d, select the type of expenditure from the drop-down menu.
- In box 14e, briefly describe the administrative, education, or outreach expenditure. For example, "staffing costs to process and track applications received/rebates sent as part of home energy efficiency rebate program."
- In box 14f, describe either: (a) why the use is necessary to administer the projects and activities funded; (b) the GHG emissions reduction purpose of the educational expenditure, or (c) how the use for outreach supports the implementation of the projects or activities funded, as applicable to the use. For example, following the example for 14e above, the use could be described as "necessary to ensure only qualified applications are accepted and to implement the program (send rebates)."
- Boxes 14g through 14l will calculate total proceeds spent on administrative costs, the percentage of proceeds spent on administrative costs, total proceeds spent on education, the percentage of proceeds spent on education, total

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proceeds spent on outreach, and the percentage of proceeds spent on outreach, respectively. No user entry is required.

Instructions for Box 15 (Interest)

IOUs should use box 15 to report interest accrued on auction proceeds during the Data Year. POUs may use these boxes to report accrued interest, if applicable. Interest is included in the general terms “allocated allowance auction proceeds” and “auction proceeds” that are covered by the reporting requirements.

- In box 15, enter the amount of interest accrued on auction proceeds during the Data Year.³

Instructions for Final Review and Attestation

- Review the “Summary” table, which shows total previously unspent proceeds carried into the Data Year, total proceeds received in the Data Year, total proceeds spent in the Data Year, and total proceeds spent on administrative and/or outreach costs. The total remaining balance of unspent auction proceeds available for spending in future years is also calculated from these values.
- The attestation at the bottom of the Form below the “Summary” table must be signed and dated by an authorized representative for the NG supplier, preferably a CITSS authorized representative, and the signed and dated attestation must be included in the Form submission. Electronic and handwritten signatures are accepted.

Revising Prior Submissions

NEW: Natural Gas suppliers that need to correct or amend reporting to CARB on the use of auction proceeds in prior Data Years may use the “Revisions to Prior Reporting” tab in the workbook. This tab may be used to correct expenditure amounts and/or estimated GHG emissions reductions reported to CARB in prior Data Years.

- The reporting entity’s legal name will auto populate from the main form page. No user entry is required
- In box 1a, enter the Data Year of the use that is being corrected.
- In box 1b, enter the Project ID associated with the use being corrected.
- In box 1c, select the appropriate category for the use of auction proceeds from the drop-down menu.
- In box 1d, enter the amount originally reported to CARB as spent on the use.

³ Interest accrued in prior data years should be reported as part of the unspent funds in boxes 11 for the appropriate years. If corrections or amendments to prior Data Year reporting are needed, the NG supplier should submit to CARB a corrected version of the prior Data Year reporting form(s) with an explanation of changes and a newly signed and dated attestation.

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- In box 1e, enter the revised amount of auction proceeds spent on the use (as applicable).
- In box 1f, briefly describe the use of proceeds.
- In box 1g, enter the estimated lifetime GHG emissions reductions that were originally reported to CARB (as applicable).
- In box 1h, enter the revised estimated lifetime GHG emissions reductions (as applicable).
- In box 1i) briefly explain the reason for the revision.
- Use boxes 2a-2i to correct previously reported itemized spending on administration, education, or outreach for prior Data Years (if applicable).
- Use boxes 3a-3d to correct previously reported accrued interest for prior Data Years (if applicable).
- Use boxes 4a-4c to correct previously reported end-of-year balances of auction proceeds for prior Data Years to reflect any corrections made in boxes 1a-1i and/or boxes 2a-2i.
 - In box 4b for each Data Year with revised reporting, enter the end-of-year auction proceeds balance originally reported to CARB (e.g., if the CARB form was used to originally report for a prior Data Year, enter the "Auction Proceeds Available for Future Years" value from that form.
 - In box 4c enter the revised end-of-year auction proceeds balance (e.g., if the CARB form was used to originally report for a prior Data Year, enter the "Auction Proceeds Available for Future Years" value that would have been calculated taking into account the corrections made in boxes 1a-1i and/or 2a-2i).
 - Revised auction proceeds and expenditures should be reflected in boxes 11 of the 2020 Data Year Form.
- If making revisions to reporting for prior Data Years, the attestation at the bottom of the "Revisions to Prior Reporting" tab must be signed and dated by an authorized representative for the NG Suppliers, preferably a CITSS authorized representative, and the signed and dated attestation and a copy of any revised GHG emissions reductions calculations must be included in the Form submission. Electronic and handwritten signatures are accepted.

Submitting Completed Forms

The information requested in the form must be received by CARB each year no later than June 30 of the year after the Data Year, or the first business day thereafter if June 30 is not a business day. This year reports are due no later than June 30, 2021. CARB requests that NG suppliers email the following information to ngs-allocation@arb.ca.gov:

1. An Excel version of the completed NG supplier Use of Allowance Value Reporting Form workbook;
2. A PDF version of the completed "Form" tab of the NG supplier Use of Allowance Value Reporting Form workbook that includes the signature of the primary account representative or an alternate account representative;

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3. Excel versions of the GHG Benefits Estimation Tool that include the estimated GHG reductions associated with each use of proceeds. If an entity chooses to not use the GHG Benefits Estimation Tool, then they must include documentation that shows how the NG Supplier estimated the GHG benefits for each use in conformance with the Regulation (as applicable); and
4. Any necessary supplemental information.

Hard copies are not required.

Example Narrative Descriptions

The following examples of narrative descriptions that could be included in the Narrative tabs to address the nature and purpose of the use of auction proceeds. These examples are provided for illustrative purposes only.

Non-volumetric Rebate

Auction proceeds were used to provide a non-volumetric climate credit to 500,000 residential households (including sub-metered households) in both April and October 2020. The total residential climate credit for 2020, excluding any gross-up for FF&U, was fifty dollars. All bundled and unbundled residential ratepayers received the same climate credit. The amount and timing of the climate credit was authorized by the CPUC in D.20-04-019.

Energy Efficiency Program

The Multi-Family Residential Energy Efficiency Retrofit Program (Program) provides funding for no-cost weatherization and other energy efficiency measures at qualifying multi-unit dwellings, a segment of the housing stock where implementing such measures is traditionally difficult. The Program targets the utility's low-income ratepayers, many of whom reside in state-designated disadvantaged communities. Eligibility is based on household income and household eligibility for other federal or state programs, as described on the utility website [URL]. The allocated allowance auction proceeds were used to install measures expected to result in immediate, ongoing, and long-term energy consumption reductions and monetary savings for participating customers. In 2019, the Program served 100 dwelling units and is expected to reduce annual average energy consumption by 700 kWh per unit. A trained technician assesses the building and each unit to recommend appropriate energy efficiency measures, and the customer has the option of accepting or declining each of the recommended measures. Potential measures include installing building insulation, energy efficient lighting, weather stripping, and energy efficient windows. These measures directly reduce energy consumption by ratepayers in a manner that is measurable and long-term.

Seventy-five percent of Program implementation during the Data Year was funded using allocated allowance auction proceeds. The use of auction proceeds provides ongoing GHG emissions reductions through reductions in natural gas consumption and expected financial benefits of over 90 dollars per year to participating customers. Because these measures are designed to be permanent changes in the participating dwellings, even if the current tenant were to move from the residence, the next tenant and the utility would continue to benefit from the measures implemented with these funds. The co-benefits of the Program include supporting local jobs, financial savings for ratepayers, supporting low-income and disadvantaged communities, and reducing co-pollutants. Eligibility for the Program does not depend on whether the customer purchases natural gas from the utility.

Home Appliance Fuel-Switching Program

The natural gas supplier operates a program, which subsidizes replacement of natural gas appliances with electric appliances. Eligible appliances are washing machines, dryers, and refrigerators. The new appliances must be selected from a list of Energy Star appliances, provided on the utility website [URL]. The program provides a rebate of 20% of the cost of the appliance up to a maximum of \$200. Both residential and commercial customers are eligible to apply. During the Data Year, 32% of the value distributed by this program went to residential households (100 households) and 68% to commercial customers (150 commercial customers). Overhead costs of the program included program design, outreach mailers sent to potential applicants, eligibility confirmation, and mailing rebate checks. Switching to these appliances reduces GHG emissions because the GHG emissions associated with grid electricity typically used by each of these appliances are less than the GHG emissions associated with the natural gas used by the appliances they replace. Additional, uncalculated benefits include reducing uncombusted methane and exposures to co-pollutant emissions associated with household and commercial natural gas use.

Electric Vehicle Infrastructure

Allocated allowance auction proceeds were used to purchase and install two public electric vehicle charging stations in a commercial area within our service territory in 2019. The proceeds covered 100 percent of the costs of purchasing and installing these charging stations. These charging stations benefit ratepayers who use electric vehicles by providing access to electric vehicle charging, reducing travel costs, and promoting the adoption of vehicle electrification. All ratepayers receive climate and air quality benefits insofar as increased use of electric vehicles reduces greenhouse gas and local co-pollutant emissions relative to gasoline or diesel vehicles. Since their installation in April 2019, the two chargers provided a total of 1,200 kWh to charge electric vehicles, equivalent to about 4,100 vehicle miles traveled. Charging was free at both stations in 2019. No allocated allowance auction proceeds were used to cover the cost of the electricity provided by these charging stations. In 2020, we are introducing time-of-use pricing at one of these charging stations.

Cap-and-Trade Regulation Sections 95893(d) and (e)

This excerpt of the unofficial electronic version of the [Cap-and-Trade Regulation](#) is provided for reference and convenience.

Section 95893(d).

Limitations on the Use of Auction Proceeds and Allowance Value.

(1) Proceeds obtained from the monetization of allowances directly allocated to a publicly owned natural gas utility shall be subject to any limitations imposed by the governing body of the utility and to the additional requirements set forth in sections 95893(d)(3) through 95893(d)(8) and 95893(e).

(2) Proceeds obtained from the monetization of allowances directly allocated to public utility gas corporations shall be subject to any limitations imposed by the California Public Utilities Commission and to the additional requirements set forth in sections 95893(d)(3) through 95893(d)(8) and 95893(e).

(3) Allowance value, including any allocated allowance auction proceeds, obtained by a natural gas supplier must be used for the primary benefit of retail natural gas ratepayers of each natural gas supplier, consistent with the goals of AB 32, and may not be used for the benefit of entities or persons other than such ratepayers. Allocated allowance auction proceeds must be used to reduce greenhouse gas emissions or returned to ratepayers using one or more of the approaches described in sections 95893(d)(3)(A)-(C) and may also be used to pay for administrative and outreach costs and educational programs described in section 95893(d)(4).

(A) Energy Efficiency. Funding programs or activities designed to reduce greenhouse gas emissions through reductions in energy use in the following categories:

1. Energy efficient equipment rebates;
2. Energy-efficient building retrofits;
3. Other projects that reduce energy demand;

(B) Other GHG Emission Reduction Activities. Funding programs or activities other than energy efficiency, for which the natural gas supplier can demonstrate GHG emission reductions per section 95893(d)(5). This includes funding projects or activities that reduce emissions of uncombusted natural gas and that are not mandated by any federal, state, or local health and safety requirements, Senate Bill 1371 (Morrell, 2014), or the Greenhouse Gas Emission Standards for Crude Oil and Natural Gas Facilities (California Code of Regulations, sections 95665-95677).

(C) Non-Volumetric Return to Ratepayers. Distribution of allocated allowance auction proceeds to some or all ratepayers in a non-volumetric manner, either on- or off-bill.

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(4) Administrative and Outreach Costs and Educational Programs. Allocated allowance auction proceeds may be used for administrative costs only in so far as those costs are solely limited to necessary costs to administer the projects and activities funded pursuant to sections 95893(d)(3)(A)-(C). Allocated allowance auction proceeds may be used for outreach that supports the implementation of the projects and activities funded pursuant to sections 95893(d)(3)(A)-(C). Up to \$100,000 or one percent of the total allocated allowance auction proceeds expended by the supplier in a data year, whichever is larger, may be used in that data year for educational programs that have the primary purpose of reducing the GHG emissions of the natural gas supplier's ratepayers, but for which expected GHG emissions, pursuant to sections 95893(d)(5) and 95893(e)(4)(B), cannot be demonstrated.

(5) Natural gas suppliers must demonstrate the expected GHG emissions reductions, pursuant to section 95893(e)(4)(B), for each use of allocated allowance auction proceeds described in sections 95893(d)(3)(A)-(B) that is undertaken.

(6) Public utility gas corporations shall ensure equal treatment of their procurement and delivery customers and delivery-only customers.

(7) Prohibited Use of Allocated Allowance Value. Use of the value of any allowance allocated to a natural gas supplier other than for the primary benefit of retail natural gas ratepayers consistent with the goals of AB 32 is prohibited. Prohibited uses include:

(A) Use of allocated allowance auction proceeds to pay for the costs of complying with MRR, or the AB 32 Cost of Implementation Fee Regulation (California Code of Regulations, sections 95200-95207), or the Cap-and-Trade Regulation, including the purchase of allowances, except for the costs allowable pursuant to sections 95893(d)(3)-(4);

(B) Use of allocated allowance auction proceeds to pay for lobbying costs, employee bonuses, shareholder dividends, or costs, penalties, or activities mandated by any legal settlement, administrative enforcement action, or court order; and

(C) Returning allocated allowance auction proceeds to ratepayers in a volumetric manner.

(8) Deadline for Use of Allocated Allowance Value. For allocated allowances received on or after October 1, 2017, the proceeds received from the sale of allowances allocated to a natural gas supplier must be spent by December 31 of the year ten years after the vintage year of the allowances, and the value of allocated allowances received prior to October 1, 2017 must be spent by December 31, 2027. To be spent, the proceeds must not remain in any account owned or controlled by the natural gas supplier or its corporate associates. If the proceeds have not been spent within ten years, they must be returned to ratepayers in a non-volumetric manner by December 31 of the year eleven years after the vintage year of the allowances.

Section 95893(e).

Reporting on the Use of Auction Proceeds. No later than June 30, 2016, and June 30 of each calendar year thereafter, each natural gas supplier shall submit a report to the Executive Officer describing the disposition of all allocated allowance auction proceeds during the previous calendar year. This report shall include:

- (1) The monetary value of any unspent allocated allowance auction proceeds remaining from prior years at the start of the previous calendar year.
- (2) The monetary value of auction proceeds received by the natural gas supplier from the sale of allowances during from the previous calendar year;
- (3) The monetary value of all auction proceeds spent during the previous calendar year and the monetary value of all auction proceeds remaining unspent at the end of the previous calendar year;
- (4) How each use of allocated allowance auction proceeds which were spent during the previous calendar year complies with the requirements of this section and the requirements of California Health and Safety Code sections 38500 et seq. This includes:
 - (A) Describing the nature and purpose of each use of allocated allowance auction proceeds, including how it benefits ratepayers, and specifying the amount of allocated allowance auction proceeds spent on that use. This includes describing the GHG reduction purpose of any educational programs;
 - (B) Estimating the GHG emission reductions from each use of allocated allowance auction proceeds allowed pursuant to sections 95893(d)(3)(A)-(B). The portion of total GHG emission reductions attributable to the use of the proceeds shall be based on the percentage of total project costs covered by the use of the proceeds. The total GHG emission reductions shall be based on comparing the expected GHG emissions with and without the use of the proceeds. The calculation shall use the following, as applicable:
 1. Use-specific information on equipment efficiency, MMBtu of fuel saved, and vehicle miles travelled, as applicable.
 2. GHG emissions factors applicable to the fuel used or saved, vehicle miles travelled or electricity saved, calculated as follows:
 - a. GHG Emission Factor for Natural Gas Saved. The GHG emission factor for natural gas shall be calculated using the emission factor and annual average high heating value used in the natural gas supplier's MRR reporting for the same reporting year.
 - b. GHG Emission Factors for Non-Transportation Fuels. The GHG emission factor for each fuel used or saved, other than natural gas, shall be as listed in Table C-1 of Subpart C of 40 CFR Part 98 (December 2010), which is hereby incorporated by

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reference, or calculated by means that can be demonstrated to the Executive Officer to be comparably accurate.

c. GHG Emission Factors for Vehicle Miles Travelled. If the use of allocated allowance auction proceeds reduces transportation-related GHG emissions, the GHG emission factor for the vehicles used with and without the use of proceeds shall be calculated using the methods in ARB's *California Climate Investments Quantification Methodology Emission Factor Database Documentation (August 2018)*, which is hereby incorporated by reference, or by comparable means that can be demonstrated to the Executive Officer to be consistent with these methods. Active transportation may be assumed to have zero GHG emissions.

3. The expected time frame over which the emissions reductions will occur.

4. The percentage of total project costs covered by the use of allocated allowance auction proceeds.

(C) Itemizing any use of allocated allowance auction proceeds on administrative and outreach costs and educational programs described in section 95893(d)(4).